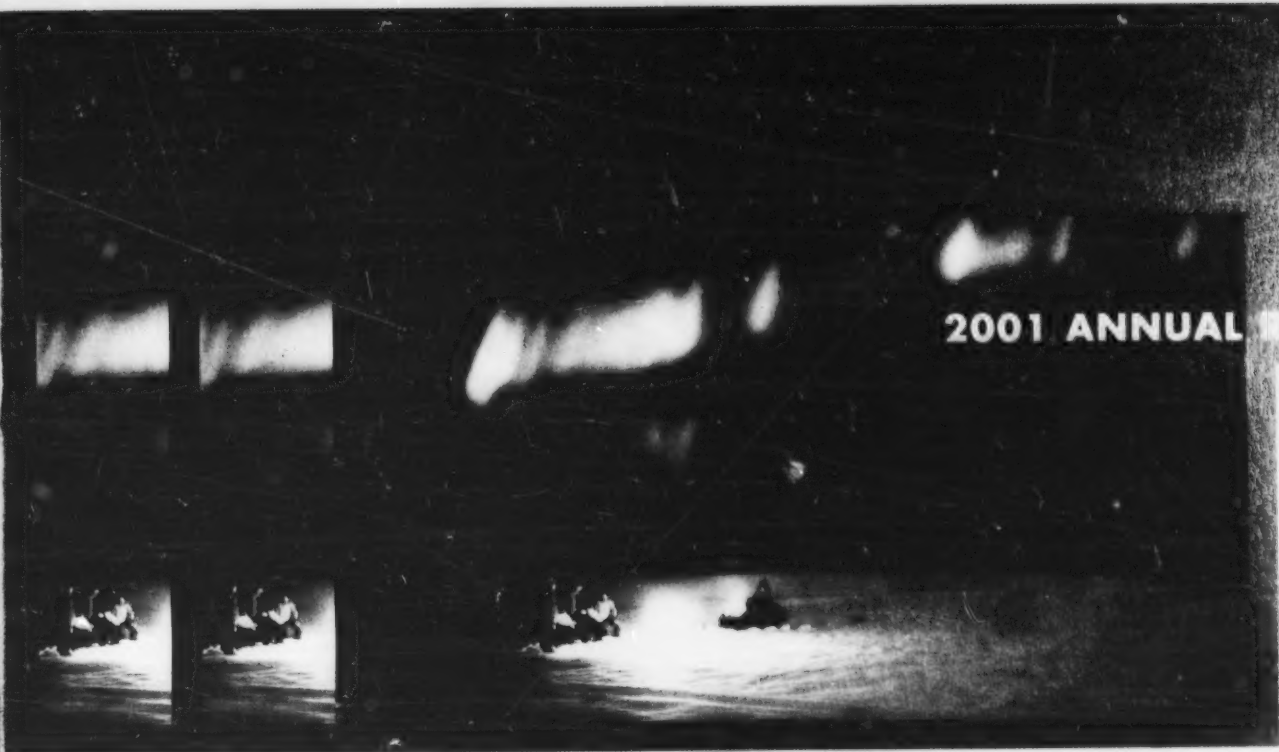




2001 ANNUAL REPORT

SGGF MANAGEMENT CORPORATION

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.



SASKATCHEWAN GOVERNMENT
GROWTH FUND
MANAGEMENT CORPORATION

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Petrol Inc.



Clearwater Forest Products Inc.

Cover Photo Credit: Tourism Saskatchewan/Douglas E. Walker

Snowmobiling under the "Northern Lights" (Aurora Borealis): Saskatchewan offers some of the best snowmobiling in North America. Here snowmobilers can access millions of acres of open land or follow an estimated 10,000 km of developed trails including hundreds of kilometres in our provincial parks. The province has also developed its own unique version of Route 66 (inspired by Route 66 in the United States) using snowmobile trails. The route is actually a network of groomed trails linking communities, resorts, parks, villages, towns and cities. It extends for thousands of kilometres right through the province, giving you access to every type of landscape from valleys and hills to farmland and vast stretches of forested wilderness.

MANDATE

The Saskatchewan Government Growth Fund Management Corporation was established in 1989 under Order-In-Council to create and manage investment funds that have been accepted as government administered venture capital funds under the federal government's Immigrant Investor Program.

VISION

Saskatchewan Government Growth Fund Management Corporation envisions the creation of economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

MISSION

The mission of Saskatchewan Government Growth Fund Management Corporation is to participate in the federal government's Immigrant Investor Program for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms, thereby creating wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

Big Sky Farms Inc.

Ippon Resources Inc.

Prairie Supreme Corporation

Clearwater Forest Products Inc.

Peragis Inc.

CORPORATE OVERVIEW

The objective of the federal Immigrant Investor Program (IIP) is to promote, encourage and facilitate the immigration to Canada of experienced business persons from abroad who will make a positive contribution to Canada's economic development by applying their risk capital and business acumen to Canadian ventures which create jobs for Canadians.

Under the investor category of the program, investors are defined as persons who have successfully operated, controlled or directed a business or commercial undertaking and who have, from their own endeavors, accumulated a net worth of at least \$500,000. The investor category is designed for successful business persons who wish to immigrate to Canada and invest in a Canadian enterprise but do not wish to participate in its management.

Under the guidelines of the IIP, investors are required to make an investment of \$250,000 in a government-administered venture capital fund accepted by both the federal and provincial governments. Neither the federal government nor the provincial government provides any guarantee on the return of the principle to the investors. Saskatchewan participated in the program to avail itself of this source of investor capital to support employment creation in the province. In 1999, the province withdrew from the program.

Saskatchewan Government Growth Fund Management Corporation (SGGFMC) manages the eight subsidiary Fund Companies that have been accepted as government-administered venture capital funds under the IIP. Each fund is incorporated under **The Business Corporations Act**.

SGGFMC holds all voting shares for the Fund Companies and has appointed the directors of each Fund Company Board. SGGFMC delegates all decisions and matters related to the investment activities of the subsidiary Fund Companies to the Boards of Directors of each of the Funds.

SGGFMC and each of the Fund Companies have entered into a long-term Management Services Agreement with Crown Capital Partners Inc. (CCP), a wholly-owned subsidiary of Crown Life. CCP provides administrative and investment management services to each of the Fund Companies and SGGFMC. This includes fund marketing, investor relations and communication services related to the IIP, investment and accounting services, and management of the investment portfolios on behalf of the Fund Companies.

HIGHLIGHTS

- Since the inception of SCGFMC in 1989, the Fund Companies have raised over \$281 million of immigrant investor capital.
- To the end of 2001, the Fund Companies invested more than \$218 million in 66 new or expanding businesses.
- In aggregate these companies have increased their level of sales from \$271 million to \$603 million and have increased their employment from 1,436 to 2,875.
- SCGF I has redeemed all 651 investors. It is working towards divesting itself of its remaining investments. The Fund ended the year with an accumulated surplus of \$3.8 million after writing off \$6.0 million in investments and costs.
- Liquidity problems in the investment portfolio forced SCGF II to suspend payments to its remaining investors. During the year, \$6.9 million in investments and costs were written off.
- Liquidity problems in the investment portfolio caused SCGF III to make reduced payments on the investor notes that matured during the year. The total investment portfolio stands at \$11.4 million after the write-down of investments and costs of \$3.6 million.
- SCGF IV and SCGF V are working towards full investment of their capital. During the year a combined total of over \$18 million in new investments were made.
- SCGF VI, SCGF VII and SCGF VIII continue to attract the full subscription amount from the depositors to the Funds. Over \$15 million in new subscriptions was raised during the year. The Funds have placed \$15 million in new investments during this period and are working to meet the 70% investor requirement.

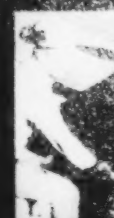
Quantis Energy Ltd.



Quantis Energy Ltd.



Quantis Energy Ltd.



Quantis Energy Ltd.



LETTER OF TRANSMITTAL

Regina, Saskatchewan
March, 2002

To Her Honour
The Honourable L.M. Haverstock
Lieutenant Governor of the
Province of Saskatchewan

Honourable Eldon Lautermilch
Minister Responsible



Madam:

I have the honour to submit herewith the Annual Report of Saskatchewan Government Growth Fund Management Corporation for the year ended December 31, 2001, including the consolidated financial statements duly certified in the form approved by the Treasury Board, all in accordance with **The Crown Corporations Act, 1993**.

I have the honour to be,

Your obedient servant,

A large, stylized handwritten signature in dark ink.

Honourable Eldon Lautermilch
Minister Responsible
Saskatchewan Government Growth Fund Management Corporation



4



Prairie Sulphate Corporation



Big Sky Farms Inc.

MESSAGE FROM THE BOARD

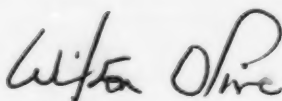
The role of Saskatchewan Government Growth Fund Management Corporation (SGGFMC) in providing venture capital to Saskatchewan has been significant. Since 1989, over \$281 million in immigrant investor capital has been raised through eight separate funds, making SGGFMC one of the largest immigrant investor funds in Canada.

Venture capital is an important tool in the development of economic growth. Over \$218 million has been invested by the SGGF Fund Companies in eligible small- to medium-sized Saskatchewan businesses, including over \$50 million in infrastructure projects. Similar to other jurisdictions, the small- to medium-sized business sector, serving as a catalyst for economic development, has continued to outperform the provincial economy in terms of sales levels and year-over-year job growth.

SGGF Fund Companies have provided low cost capital to 66 Saskatchewan firms in industries ranging from oil and gas, agri-food, manufacturing, forestry and technology development. In aggregate, these companies have increased their level of sales from \$271 million to \$603 million and have expanded their employment from 1,436 to 2,875 employees.

These firms have also benefited from the management contribution that supports the investees with advice on marketing, financial and business know-how, often adding a breadth and depth of experience that is not readily available in the small business sector.

Following federal government changes to the Immigrant Investor Program in 1999, SGGFMC elected to withdraw and to concentrate on completing the eight separate funds. The early investments are maturing, involving repayment of immigrant investor capital, with the later Funds continuing to provide venture capital to Saskatchewan. However, the total investment capital is in decline as no new capital is being raised. For the first time in 2001, SGGFMC contracted its management and investment services to a private investment company, Crown Capital Partners Inc. Under this structure, the SGGF Funds will have continued access to personnel, dedicated and skilled in the delivery of venture capital management services, all of which will serve to further contribute to the economic growth of our Province.



Wilson H. Olive, QC

Chair, Board of Directors

Saskatchewan Government Growth Fund
Management Corporation



FarmGro Organic Foods Inc.

Teknexus Holdings Ltd.

Prime Fund Systems Inc.

Dutch Industries Ltd.

Moster Manufacturing



MESSAGE FROM MANAGEMENT

SGGFMC ceased marketing investment units under the federal government's IIP on March 31, 1999. Prior to exiting the program, SGGFMC had successfully marketed eight immigrant investor funds. More than 1,400 immigrant investors have subscribed \$281 million to SGGF Funds under the program and have received Canadian citizenship.

At the end of 2001, there are still many subscribers who have not yet been granted an interview with the federal immigration authorities. Typically, subscribers forward their subscription amount prior to their interview. Based on our experience, we expect subscription monies to flow into the several open Fund Companies over the next year. We do not expect to receive all the outstanding subscriptions as some applicants will fail to qualify or will change their minds about immigrating.

The Funds were offered sequentially to the immigrant investor market and so each is at a different stage of its natural life cycle. The first Fund, SGGF I, has repaid all of its 651 immigrant investors and is in the process of liquidating its remaining investments. The cash surplus realized from this Fund will go to expand health research funding in the province.

On the other hand, SGGF VI, SGGF VII and SGGF VIII are in their infancy and are continuing to receive new subscription capital from immigrant investors and pursuing new investment opportunities.

Since inception, the SGGF Fund Companies have invested \$218 million in 66 Saskatchewan businesses, increasing the sales level within these companies from \$271 million to \$603 million, and expanding their employment from 1,436 to 2,875. In addition, SGGF Fund Companies have invested approximately \$50.7 million in infrastructure loans.

Generally, companies supported by SGGF Fund Companies have achieved their business strategies. However, a number of investee companies have experienced or are experiencing difficulties for a variety of reasons, including startup problems, low commodity prices, lack of working capital, and poor marketing performance. Where possible, our investment managers work with management to help them overcome these difficulties. Sometimes we have been successful, sometimes we were not and the companies have failed. Where companies have failed or are experiencing financial hardship we will sometimes bring in new management with additional capital in an attempt to restructure the business in a successful manner.

SGGF II has not been able to repay all of its investors as their bonds matured. Several investments failed to produce the cash returns that were expected from their liquidation or wind-up. As a result, 12 investors received a partial payment of \$150,000. The remaining 31 investors have not received any repayment so far. Extra effort has been made to keep these investors informed of the status of the Fund. Thus far, the investors are satisfied that the option to pursue an orderly liquidation of the remaining Fund assets will get the maximum value for distribution to the investors.

SGCF III is also winding up its portfolio by liquidating investments to meet the scheduled investor obligations. The Fund has experienced a mismatch in meeting the timing of its cash requirements. Consequently, 21 bondholders have been provided 60% of their scheduled payment on the maturity of their notes, with full repayment expected once the liquidations are completed.

Although SGCF Fund Companies invested \$7.5 million in small- and medium-sized enterprises (SME's) and \$12.2 million in infrastructure loans during the year, the pace of investment was not sufficient to meet the requirements of the IIP. As a result, a number of investors have not had 70% of their subscription amount invested in an eligible business within nine months. The Board of

Directors of the Fund Companies maintain that making quality investment decisions is more important than meeting the timetable. However, they have undertaken to accelerate the pace of investment to eliminate the problem by June 2002.

On October 1, 2000, SGGFMC and each of the Fund Companies entered into a contract with CCP, a wholly-owned subsidiary of Crown Life. CCP provides administrative and investment management services to each of the Fund Companies and SGGFMC.

In July 2001, Mr. Paul Boothe resigned from the SGGFMC Board of Directors and was replaced by Mr. Ron Styles. Ms. Joanne Forer was also appointed to the Board in December 2001.



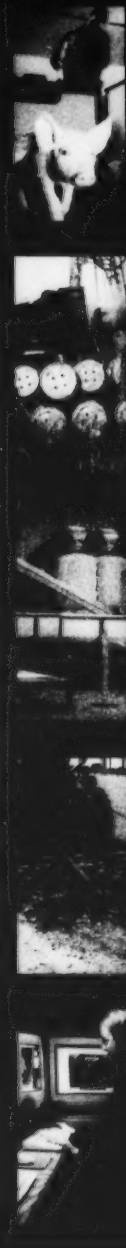
Big Sky Forms Inc.

Urban Resources Inc.

CrownAg International Inc.

PEI Industries Inc.

Petco Inc.



STRATEGIC PERFORMANCE REPORTING

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for Saskatchewan's commercial Crown corporations. For governance purposes, SGGFMC is designated as a CIC Crown corporation.

In 1999, CIC and its subsidiaries developed a Crown Sector Strategic Plan to provide long-term direction to the Crown corporation sector, and facilitate long-term planning. The plan includes a uniform vision statement for the Crown sector, its primary business purposes, common business values and strategic business objectives.

SGGFMC supports these strategic objectives and has developed specific objectives, measures and targets that are aligned with the shareholder expectations. The investment activities carried out through the

SGGF Funds contribute and support the following strategic directions contained in the plan:

- Advance the social and economic policies of the people of Saskatchewan with a specific expectation to contribute to economic diversification and growth; and,
- Operate effectively and efficiently to provide an appropriate return to the people of Saskatchewan.

These objectives, measures and targets form SGGFMC's Balanced Scorecard. The Crown Sector Strategic Plan and Balanced Scorecard together form an integrated short- and long-term strategic performance management system. SGGFMC's performance for 2001 is measured against the following key objectives, which were approved by CIC.

Financial Perspective

Shareholder expectation is that following repayment of immigrant investors, SGGFMC will oversee an orderly, profitable exit and wind-up strategy for each Fund to maximize profits to be paid to the General Revenue Fund (GRF) in a timely manner.

Objectives	Measures	2001 Target	Discussion
Return cash surplus to the GRF	Annual cash surplus declared as dividend to SGGFMC	\$ 3 Million	Planned divestitures / sale transactions in SGGF I were not finalized before year-end 2001. This will delay the payment of the profits to the GRF.

Public Policy Perspective

Shareholder expectation is that outcome of SGGF Fund activity will advance provincial economic growth and development.

Objectives	Measures	2001 Target	Discussion
Supply foreign capital to support provincial economic growth	Active capital ¹ participation in provincial SME's	\$32 Million	\$43.4 million in active capital was invested in Saskatchewan small businesses as at December 31, 2001.
Positive economic impact	Year over year employment growth in Investees	5.6%	SGGF venture capital backed SME's outperformed provincial employment growth forecast by recording actual growth of 39%.
	Year over year revenue growth in Investees	2.2%	SGGF venture capital backed SME's outperformed provincial economic growth forecast by recording actual growth of 35%.

¹ Active capital includes all debt and equity currently invested in Saskatchewan businesses.

Significant Corporate Issues and Objectives for 2002

Under the terms of the IIP, investors must have 70% of their subscription amount invested in an eligible business within nine months. Several of the Funds have fallen behind in meeting this criteria, but it is anticipated that this problem will be eliminated by June 2002.

The receipt of investor capital subscriptions for the three new funds, SGGF VI, SGGF VII and SGGF VIII, has been considerably slower than projected, primarily due to the rate at which immigrant visa applications are processed. While this is outside of the control of SGGFMC and the Fund Companies, the trend must be monitored to determine the impact on the ability of the Funds to raise sufficient capital to be self-sustaining.

Fund II continues to manage its liquidation process in a manner that will maximize return to the remaining unpaid investors.

SGGFMC sets strategic business objectives each year in alignment with the Crown Sector Strategic Plan. Under an annual performance management process, CIC reviewed and approved the 2002 strategic objectives and Balanced Scorecard.

SGGFMC will continue to monitor the outcomes of the IIP in terms of its contribution to provincial economic growth. In carrying out its role, SGGFMC will strive to achieve the following objectives:

- The Funds receive adequate and appropriate management, investment and administrative services as determined through the Management Services Agreement;
- Upon orderly wind-up of the Funds, any resulting profits are directed to the GRF in a timely manner; and,
- Subject to legitimate confidentiality requirements, timely and comprehensive communications is provided to the shareholders on corporate issues and performance.

Financial Perspective

Shareholder expectation is that following repayment of immigrant investors, SGGFMC will oversee an orderly, profitable exit and wind-up strategy for each Fund to maximize profits to be paid to the General Revenue Fund in a timely manner.

Objectives	Measures	2002 Target	Discussion
Return cash surplus to the GRF	Annual cash surplus declared as dividend to SGGFMC	\$0	No Funds are scheduled to complete their investor repayment in 2002.

Public Policy Perspective

Shareholder expectation is that outcome of SGGF Fund activity will advance provincial economic growth and development.

Objectives	Measures	2002 Target	Discussion
Supply foreign capital to support provincial economic growth	Active capital participation in provincial SME's	\$28 Million	SGGF capital will be directed to small businesses in Saskatchewan that are poised for market growth or expansion.
Positive economic impact	Year over year employment growth in Investees	1.1%	SGGF venture capital backed SME's will outperform overall provincial employment growth forecast.
	Year over year revenue growth in Investees	2.0%	SGGF venture capital backed SME's will outperform overall provincial economic growth forecast.

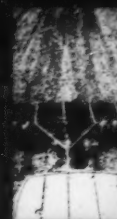
PFI Industries Inc.

Urban Energy Inc.

Bracebridge Corporation

Barton Cabinets Ltd.

CrownAg International Inc.



GOVERNANCE STRUCTURE

As a Crown Investments Corporation (CIC) designated corporation, SGGFMC comes under the purview of the CIC governance structure and its financial statements are included in the CIC consolidated annual statements.

SGGFMC is sole shareholder of the eight Fund Companies established under **The Business Corporations Act**. As shareholder, SGGFMC has the authority to:

- appoint directors to the Boards of each of the Fund Companies;
- appoint an auditor for the Fund Companies;
- enter into management services contracts for services required by the Fund Companies; and,
- provide the Fund Companies with technical, accounting, legal or other services required.

Role of the Board

The SGGFMC Board of Directors is responsible for the stewardship of the Corporation. In order to carry out this responsibility, the Board approves the Corporation's overall strategic plan, operating budget and performance indicators.

The SGGFMC Board also sets broad performance indicators for the Fund Companies and monitors their results. However, with respect to investment of immigrant monies, the Board maintains an arms length relationship with the Fund Companies who have independent Boards responsible for their investment decisions.

Board Composition

The SGGFMC Board is composed of four individuals, two from outside government including the Board chair and two senior civil servants. All are independent of corporate management and of those providing management services to the Fund Companies. One independent director also serves as chair of the Fund Companies Boards thus providing an important link between the Boards of Fund Companies and the SGGFMC Board.

Board Orientation and Training

Upon appointment, new Board members receive an orientation overview delivered by management. In addition, CIC delivers ongoing education for Directors to assist them in the performance of their duties.



MANAGEMENT DISCUSSION & ANALYSIS

The mission of SGGFMC is to participate in the federal government's IIP for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms. Investment of this capital creates economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

The ability of SGGFMC to raise additional funds under the IIP ended on March 31, 1999, when a new federal program was launched and SGGFMC declined to participate. The capital currently under management and from the three funds launched in 1999 will require administration for at least the next six years.

SGGFMC manages eight government-administered venture capital funds under the old IIP, specifically:

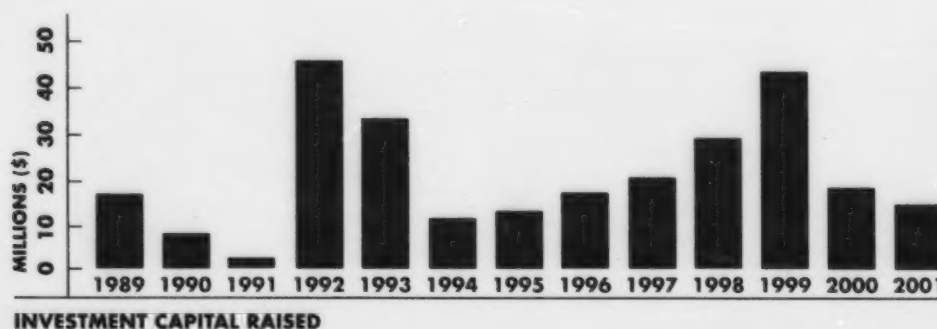
*Saskatchewan Government Growth Fund Ltd. (SGGF I);
Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).*

Since 1989, SGGFMC has raised, through its Fund Companies, more than \$281 million of immigrant investor capital for investment in Saskatchewan small- and medium-sized enterprises. To the end of 2001, over \$218 million of this capital has been invested in 66 eligible businesses.

Effective October 1, 2000, substantially all of the administration and investment advisory services previously provided by SGGFMC to its Fund Companies were contracted out to a fund manager. Each Fund Company is managed as a distinct entity and the fund manager is paid a monthly fee for its services. The manager will also receive a share of the net profits, if any, of a Fund after all liabilities, including investor obligations, of the Fund have been paid.

SGGF I's results have been consolidated with those of SGGFMC in these financial statements since all of SGGF I's investors have been redeemed and SGGFMC is now able to share in the risks and rewards of ownership of SGGF I.

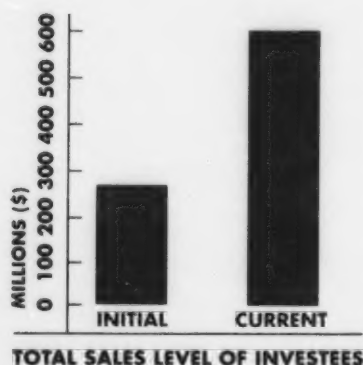
The operating revenues of SGGFMC are based on its expenditure levels as ongoing management expenses are charged to the Fund Companies at a modest mark-up. Excluding the effect of the consolidation of SGGF I, revenues of \$3.3 million in 2001 are up from the \$2.4 million earned in 2000.



Fund Company Highlights

SGCF I: Since the last of its investors were redeemed in 1998, the focus of the Fund has been on liquidating its investments when opportunities arise. No significant divestments were made during the year and four investments were written down at a cost of \$6.0 million.

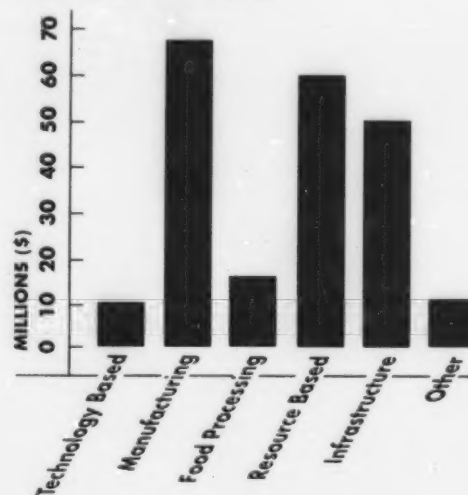
SGCF II: Liquidity problems in the investment portfolio forced SGCF II to suspend payments to investors who have not been repaid in full. During the year, \$6.9 million in investments and costs were written off.



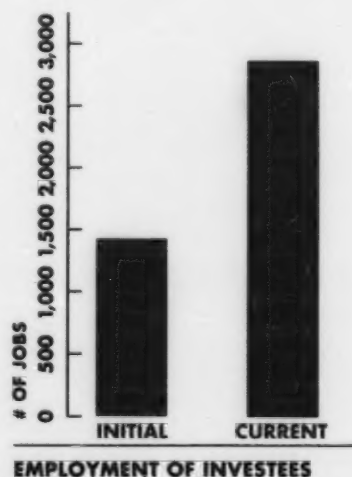
SGCF III: The priority for SGCF III in 2001 continued to be the liquidation of its portfolio in order to provide the funds necessary for investor repayments. However, liquidity problems in the investment portfolio were identified in 2001, causing SGCF III to reduce its payments on the investor notes maturing in January 2001 or later. At December 31, 2001, a total of 109 notes remain outstanding with partial payments being made on 21 notes during the year. It is not known with certainty when the remaining obligations can be redeemed and if they can be redeemed in full. The total investment portfolio stands at \$11.4 million after the write-down of investments and costs of \$3.6 million.

SGCF IV: SGCF IV ended the year with an accumulated surplus of \$1.0 million. At year end, SGCF IV had \$27.5 million invested in Saskatchewan businesses, and continued to work towards placing all of its capital. To the end of 2001, this Fund had 130 notes representing \$32.5 million in investor capital.

DISBURSED BY INDUSTRY



SGCF V: This Fund has issued 102 notes to December 31, 2001, representing \$26.5 million of capital. However, SGCF V has not met the investment criteria of investing 70% on some notes that have been issued. As a result, the minimum five-year holding period for those investors that hold these notes has been extended. Scheduled repayments are \$4.3 million in 2004, \$15.7 million in 2005, and \$6.5 million in 2006. The total investment portfolio stands at \$11.3 million after the write-down of investments and costs of \$0.7 million.



SCGF VI, SCGF VII and SCGF VIII: These Funds were launched in 1999, and are focused on collecting the full subscription amount from each of their subscribers as well as commencing the early stages of the investment process. Over \$15 million in new subscriptions were raised during the year. The Funds have placed \$15 million in new investments during this period and are working to meet the 70% investor requirement. In order to compete with the other provincial immigrant investor funds, these Funds offer leveraged financing options to investors similar to other provinces.

Outlook for 2002

SCGF I will continue to work towards liquidation of its remaining investments at values in excess of cost. The priority for SCGF II will be liquidation of its remaining investments for as great a value as possible in order to maximize payments to remaining investors. SCGF III will begin divestment of its portfolio in order to provide the cash for continued investor repayments. SCGF IV will focus on monitoring the performance of its investments. The objectives for SCGF V will be to find suitable investments to round out its investment portfolio and attract full subscription amounts from remaining subscribers. The newest Funds, SCGF VI, SCGF VII and SCGF VIII, will be focused on attracting full subscription amounts from the remaining depositors and beginning investment of the capital raised to date.

Summary of Financial Position

As at December 31, 2001

	Cash and Cash Equivalents	Investments	Other Assets	Total Assets	Liabilities	Fund Balance
SCGF I	\$ 393,142	\$ 1,548,781	\$ 2,048,016	\$ 3,989,939	\$ 170,725	\$ 3,819,214
SCGF II	731,836	3,533,628	32,339	4,297,803	13,238,815	(8,941,012)
SCGF III	8,324,531	11,428,384	199,013	19,951,928	24,816,416	(4,864,488)
SCGF IV	5,036,545	27,470,443	1,763,373	34,270,361	33,235,510	1,034,851
SCGF V	16,824,858	11,310,261	1,560,326	29,695,445	29,040,143	655,302
SCGF VI	1,091,557	20,202,097	1,926,199	23,219,853	23,290,890	(71,037)
SCGF VII	2,414,394	17,955,608	1,947,149	22,317,151	22,584,985	(267,834)
SCGF VIII	1,564,782	12,646,378	1,387,290	15,598,450	15,591,245	7,205
Total	\$ 36,381,645	\$ 106,095,580	\$ 10,863,705	\$ 153,340,930	\$ 161,968,729	\$ (8,627,799)

Summary of Results of Operations

For the Year Ending December 31, 2001

	Revenues	Administrative Expenses	Financial Expenses	Total Expenses	Income from Operations	Provision for Investment Losses	Net (Loss)
SCGF I	\$ 800,584	\$ 143,359	\$ -	\$ 143,359	\$ 657,225	\$ 3,383,869	\$ (2,726,644)
SCGF II	329,248	282,673	385,097	667,770	(338,522)	2,820,217	(3,158,739)
SCGF III	2,723,595	2,449,900	504,589	2,954,489	(230,894)	3,817,537	(4,048,431)
SCGF IV	4,937,684	3,684,376	493,685	4,178,061	759,623	1,547,850	(788,227)
SCGF V	2,491,439	1,420,054	926,524	2,346,578	141,861	748,781	(603,920)
SCGF VI	1,123,282	599,076	1,084,810	1,683,886	(560,604)	-	(560,604)
SCGF VII	1,034,411	598,085	1,035,001	1,633,086	(598,675)	-	(598,675)
SCGF VIII	740,696	439,855	384,588	824,443	(83,747)	-	(83,747)
Total	\$ 14,180,939	\$ 9,617,378	\$ 4,814,294	\$ 14,431,672	\$ (250,733)	\$ 12,318,254	\$ (12,568,987)

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements have been prepared by management of Saskatchewan Government Growth Fund Management Corporation. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

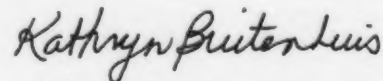
The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements, meeting with management, the Corporation's external auditors Deloitte & Touche, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records

are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

Deloitte & Touche has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears on the following page.

On behalf of management,



Kathryn Buitenhuis
President



John Amundson, CA
Chief Financial Officer

AUDITORS' REPORT

To the Members of the Legislative Assembly
of Saskatchewan:

We have audited the Consolidated Statement of Financial Position of Saskatchewan Government Growth Fund Management Corporation as at December 31, 2001, and the Consolidated Statement of Operations and Retained Earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and

disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement preparation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Regina, Saskatchewan
January 31, 2002

Deloitte & Touche LLP
Chartered Accountants



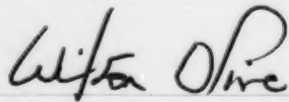
CONSOLIDATED FINANCIAL STATEMENTS

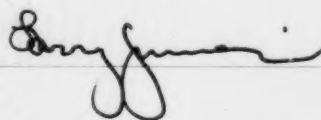
Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Financial Position
As at December 31

	2001	2000
Assets		
Cash	\$ 652,960	\$ 245,370
Portfolio investments (Note 3)	-	620,156
Accounts receivable	129,535	237,906
Note receivable (Note 4)	2,000,000	2,000,000
Investments (Note 5)	1,548,781	4,582,194
Investments in fund companies (Note 6)	8,000	8,000
Capital assets (Note 7)	5,898	16,836
	<u>\$ 4,345,174</u>	<u>\$ 7,710,462</u>
Liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 180,653	\$ 809,088
Commissions payable	58,050	58,050
	<u>238,703</u>	<u>867,138</u>
Province of Saskatchewan's Equity		
Equity advances (Note 9)	1,031	1,031
Retained earnings	4,105,440	6,842,293
	<u>4,106,471</u>	<u>6,843,324</u>
	<u>\$ 4,345,174</u>	<u>\$ 7,710,462</u>

(See accompanying notes to the consolidated financial statements)

On behalf of the Board:

 Director

 Director

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Operations and Retained Earnings
For the Year Ended December 31

	2001	2000
Revenues		
Management fees (Note 14)	\$ 3,171,188	\$ 2,121,002
Investment income	567,282	392,650
Interest and other income	243,483	192,193
	<u>3,981,953</u>	<u>2,705,845</u>
Expenses		
Fund manager fees (Note 12)	2,831,953	881,409
Legal fees	271,172	341,132
Professional fees	102,814	151,280
Directors' fees and expenses	95,852	123,753
General administration	20,275	192,878
Investment advisor fees	10,786	199,660
Amortization of capital assets	2,085	28,083
Salaries and benefits	-	567,048
	<u>3,334,937</u>	<u>2,485,243</u>
Income before investment losses	647,016	220,602
Provision for investment losses	3,401,489	8,182,883
Allowance for unrealized losses	(17,620)	550,634
Net loss	<u>(2,736,853)</u>	<u>(8,512,915)</u>
Retained earnings, beginning of year	6,842,293	15,355,208
Retained earnings, end of year	<u>\$ 4,105,440</u>	<u>\$ 6,842,293</u>

(See accompanying notes to the consolidated financial statements)

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Cash Flows
For the Year Ended December 31

	2001	2000
Cash flows from operating activities		
Net loss	\$(2,736,853)	\$(8,512,915)
Adjustments for:		
Amortization of capital assets	2,085	28,083
Provision for investment losses	3,401,489	8,182,883
Allowance for unrealized losses	(17,620)	550,634
Writeoff of capital assets	8,852	-
Gain on sale of capital assets	-	(10,995)
Net change in non-cash balances related to operations (Note 13)	(520,064)	(40,536)
Cash flows from operating activities	<u>137,889</u>	<u>197,154</u>
Cash flows from investing activities		
Sales of portfolio investments	620,156	1,358,024
Disbursements on investments	(454,620)	(2,564,973)
Repayments from investments	104,165	1,193,947
Note receivable from SGGF II Ltd.	-	(2,000,000)
Sale of capital assets	-	74,060
Purchase of capital assets	-	(24,921)
Cash flows from investing activities	<u>269,701</u>	<u>(1,963,863)</u>
Net increase (decrease) in cash	407,590	(1,766,709)
Cash, beginning of year	245,370	2,012,079
Cash, end of year	\$ 652,960	\$ 245,370
Interest paid during the year	<u>\$ 17,714</u>	<u>\$ 32,863</u>

(See accompanying notes to the consolidated financial statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Status of the corporation

Saskatchewan Government Growth Fund Management Corporation ("SCGF Management Corporation") has been established for the purpose of creating and managing fund companies that have been accepted as government administered venture capital funds under the federal government's Immigrant Investor Program. Order-in-Council #660/1998 establishes that the provisions of **The Crown Corporations Act, 1993** apply. Accordingly, the financial results of SCGF Management Corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan ("CIC").

These consolidated results include the investment activities of SCGF Management Corporation's subsidiary, Saskatchewan Government Growth Fund Ltd. ("SGGF I").

SCGF Management Corporation is a provincially owned Crown corporation and therefore is not subject to federal or provincial income taxes.

2. Significant accounting policies

The accompanying consolidated statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Consolidation

The consolidated financial statements include the accounts of SCGF Management Corporation and its subsidiary, SGGF I. All intercompany transactions and balances have been eliminated. See Note 11 for additional information.

Investments

Investments include debt and equity investments in private and public companies. Investments, other than publicly traded shares, are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned. The fair value of investments in private companies is not determinable and therefore has not been disclosed.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 trading days of the year, on an individual basis. Unrealized losses in the value of investments in publicly traded shares are recorded in the Consolidated Statement of Operations and Retained Earnings, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF I has significant influence are not consolidated.

Investments in fund companies

As at December 31, SGGF Management Corporation owns 100% of the Class A common shares of seven companies, collectively known as "the funds":

- Saskatchewan Government Growth Fund II Ltd. ("SGGF II");
- Saskatchewan Government Growth Fund III Ltd. ("SGGF III");
- Saskatchewan Government Growth Fund IV Ltd. ("SGGF IV");
- Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGF V");
- Saskatchewan Government Growth Fund VI Ltd. ("SGGF VI");
- Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII"); and
- Saskatchewan Government Growth Fund VIII Ltd. ("SGGF VIII").

SCGF Management Corporation does not guarantee the performance of the funds nor does it share in the risks of ownership until all investor obligations have been satisfied. Investments in the funds are recorded at cost. Readers should refer to the audited financial statements of the funds for further information on their financial position and operating results.

Capital assets

Capital assets are recorded at cost. When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Capital assets are amortized over their estimated useful lives on a straight-line basis.

3. Portfolio investments

	2001	2000
	Cost (\$)	Cost (\$)
Bankers' Acceptances	\$ -	\$ 620,156

4. Note receivable

Included in note receivable is a \$2,000,000 (2000 - \$2,000,000) note from Saskatchewan Government Growth Fund II Ltd. ("SCGF II") payable on demand and bearing an interest rate of 10% per annum.

5. Investments

	2001	2000
Debt	\$ 2,999,555	\$ 5,057,509
Equity	150,869	3,789,275
Provision for investment losses	(1,600,000)	(3,660,342)
Allowance for unrealized losses	(1,643)	(604,248)
	<u>\$ 1,548,781</u>	<u>\$ 4,582,194</u>

Included in investments is \$3,095,431 (2000 - \$8,032,213) of impaired investments, net of accumulated provision for losses of \$1,600,000 (2000 - \$3,660,342), upon which income is not accrued. During the year \$6,046,815 (2000 - \$11,430,066) of investments and costs have been written off.

Equity investments include publicly traded shares at a cost of \$11,625 (2000 - \$693,906), with an aggregate market value of \$1,643 (2000 - \$89,658).

During the year investments decreased as follows:

	2001	2000
Balance, beginning of year	\$ 4,582,194	\$ 11,944,685
New investments	454,620	2,564,973
Repayments	(104,165)	(1,193,947)
Investments & costs written off	(6,046,815)	(11,430,066)
Net change in provision for investment losses	2,060,342	263,157
Net change in allowance for unrealized losses	602,605	2,433,392
Balance, end of year	<u>\$ 1,548,781</u>	<u>\$ 4,582,194</u>

6. Investments in fund companies

Shares, at cost:	2001	2000
SGGF II	\$ 1,000	\$ 1,000
SGGF III	2,000	2,000
SGGF IV	1,000	1,000
SGGF V	1,000	1,000
SGGF VI	1,000	1,000
SGGF VII	1,000	1,000
SGGF VIII	1,000	1,000
	<u>\$ 8,000</u>	<u>\$ 8,000</u>

7. Capital assets

			2001		
	Rate	Cost	Accumulated Amortization	2001 Net Book Value	2000 Net Book Value
Furniture and office equipment	14.29%	\$ 14,597	\$ 8,699	\$ 5,898	\$ 16,836

8. Accounts payable and accrued liabilities

Included in accrued liabilities is a \$100,000 (2000 - \$100,000) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF I. It is payable to the fund manager only upon satisfaction of all liabilities of the fund.

9. Equity advances

SGGF Management Corporation does not have share capital. However, SGGF Management Corporation has received advances from CIC to form its equity capitalization. The advances are an equity investment in SGGF Management Corporation by CIC.

10. Financial Instruments

SGGF I's primary business is the investment of funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk.

Market Risk

Market risk faced by SGGF I is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the businesses in which SGGF I invests. Some of the companies in which SGGF I invests are dependent upon a single product or industry. SGGF I manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF I restricts investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such companies to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SGGF I conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its companies on an on-going basis. In addition, some companies operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SGGF I's earnings will decline due to fluctuations in interest rates. SGGF I manages this risk through careful monitoring and matching the duration of its portfolio investments and investments with its liabilities.

Liquidity Risk

Liquidity risk is the risk that SGGF I will encounter difficulty in liquidating its investments at an amount close to fair value. Since the last of the investors in SGGF I have been redeemed there is no immediate need to liquidate the remaining investments. SGGF I intends to hold these investments until it is able to liquidate them at an amount close to fair value.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Consolidated Statement of Operations and Retained Earnings in the period in which they become known.

Fair Value - Investments

There is no active secondary market for many of the investments in which SGGF I invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

11. Consolidation of SGGF I

The results of SGGF I have been consolidated and accounted for using the purchase method. Summarized financial statements of SGGF I are as follows:

	2001	2000
Statement of Financial Position		
Cash and portfolio investments	\$ 393,142	\$ 744,916
Investments	1,548,781	4,582,194
Other assets	2,048,016	2,022,243
	<u>\$ 3,989,939</u>	<u>\$ 7,349,353</u>
Liabilities	\$ 170,725	\$ 803,495
Equity	3,819,214	6,545,858
	<u>\$ 3,989,939</u>	<u>\$ 7,349,353</u>
Statement of Operations		
Revenues	\$ 800,584	\$ 565,747
Expenses	(143,359)	(354,836)
Investment losses	(3,383,869)	(8,733,517)
Net loss	<u>\$ (2,726,644)</u>	<u>\$(8,522,606)</u>

12. Fund manager fees

Included in fund manager fees is a \$nil (2000 - \$100,000) provision for future fees payable to the fund manager under the terms of its management services agreement with SCGF I. It is payable to the fund manager only upon satisfaction of all liabilities of the fund.

13. Net change in non-cash balances related to operations

	2001	2000
Accounts receivable and accrued income	\$ 108,371	\$ (78,586)
Accounts payable and accrued liabilities	(628,435)	58,750
Commissions payable	-	(20,700)
	<u>\$ (520,064)</u>	<u>\$ (40,536)</u>

14. Related party transactions

Included in these financial statements are transactions with the funds, various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SCGF Management Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

As stated in Note 4, SCGF I holds a note receivable from SCGF II. Total interest received and receivable from SCGF II during the year was \$216,940 (2000 - \$53,005).

Under the terms of ten year Management Agreements between SCGF Management Corporation and the funds, SCGF Management Corporation administers the assets of the funds. The Agreements expire in the following years:

SCGF II	2003
SCGF III and IV	2004
SCGF V	2008
SCGF VI, VII and VIII	2009

SCGF Management Corporation is engaged to provide substantially all of the management services required by the funds. SCGF Management Corporation uses the assistance of various investment advisors and a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. All services provided to the funds are charged on a fee for service basis. Total fees received or receivable from the funds during the year amounted to \$3,171,188 (2000 - \$2,121,002).

Other transactions with related parties are disclosed separately in the financial statements and notes thereto.

15. Comparative figures

Certain figures have been reclassified to conform to the current year's presentation.

Boctor Inc

Perrys Inc

John Nelson Construction Ltd

FarmCo Organic Foods Inc

Duke Industries Ltd

CORPORATE DATA

Head Office

Saskatchewan Government Growth Fund
Management Corporation
#400 - 2400 College Avenue
Regina, Saskatchewan S4P 1C8
Phone: (306) 787-6851 Fax: (306) 787-0294

Minister Responsible

Hon. Eldon Lautermilch

Board of Directors

Mr. Wilson Olive, Chair
Mr. Larry Spanner, Vice-Chair
Mr. Ron Styles (October 2001 to present)
Ms. Joanne Forer (December 2001 to present)
Mr. Paul Boothe (January to July 2001)

Fund Companies

Saskatchewan Government Growth Fund Ltd.
Saskatchewan Government Growth Fund II Ltd.
Saskatchewan Government Growth Fund III Ltd.
Saskatchewan Government Growth Fund IV Ltd.
Saskatchewan Government Growth Fund V (1997) Ltd.
Saskatchewan Government Growth Fund VI Ltd.
Saskatchewan Government Growth Fund VII Ltd.
Saskatchewan Government Growth Fund VIII Ltd.

Suite 1800 - 1874 Scarth Street
Regina, Saskatchewan S4P 4B3
Phone: (306) 787-2994 Fax: (306) 787-2086
Email: sggf@sk.sympatico.ca

Fund Manager

Crown Capital Partners Inc.
1800 - 1874 Scarth Street
Regina, Saskatchewan, Canada S4P 4B3
Phone: (306) 546-8000 Fax: (306) 546-8009
Email: ccp@crowncapital.ca

Investment Advisors

Crown Life Insurance Company
Suite 1900 - 1874 Scarth Street
Regina, Saskatchewan S4P 4B3

Mr. Roy Lloyd
#114 - 801 Heritage Crescent
Saskatoon, Saskatchewan S7H 5R7

P.W. Lorch & Associates Ltd.
2935 McCallum Avenue
Regina, Saskatchewan S4S 0R3

Prairie Financial Management
2nd Floor, 1919 Rose Street
Box 202
Regina, Saskatchewan S4P 3A1

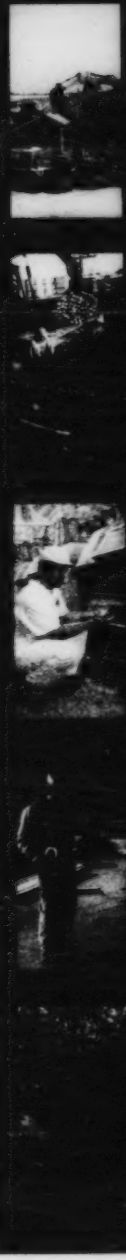
Patterson Capital Corporation
Box 302
16 Lott Road
White City, Saskatchewan S0G 5B0

Auditors

Deloitte & Touche
Chartered Accountants
Suite 1700 - 1874 Scarth Street
Regina, Saskatchewan S4P 4B3

Legal Counsel

MacPherson Leslie & Tyerman
Barristers and Solicitors
Suite 1500 - 1874 Scarth Street
Regina, Saskatchewan S4P 4E9



John Nelson Construction Ltd

Clearwater Forest Products Inc

FarmGro Organic Foods Inc

Master Manufacturing

Prairie Plant Systems Inc

